

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Standard Offer Adjustment Filings) D.T.E. 00-66

For the NSTAR Companies, Massachusetts) D.T.E. 00-67

Electric Company, and Fitchburg Gas and) D.T.E. 00-70

Electric Light Company)

REPLY COMMENTS OF THE ASSOCIATED INDUSTRIES OF
MASSACHUSETTS

A.I.M. will not repeat what was said in our Initial Comments. We will take this opportunity to support the Comments of the Attorney General and the Division of Energy Resources ("D.O.E.R.").

A.I.M. reiterates its comments and urges the Department to immediately approve the increases to the standard offer rate based on fuel adjustment increases, subject to verification of those costs. Without slowing this implementation, the Department should choose the mechanism to determine if reasonable measures have been taken to mitigate these increases. It is clear that A.I.M., the Attorney General, and the D.O.E.R., representing consumer interests, all agree that, Massachusetts Electric Company ("MECo."), Boston Edison

Company, Cambridge Electric Light Company and Commonwealth Electric Company (collectively "NSTAR"), and Fitchburg Gas and Electric Light Company (FG&E) should respond to the mandate of the Electric Industry Restructuring Act ("Act"), for companies to demonstrate that they have taken reasonable measures to sustain the statutory 15% rate reductions, and second, that the inflation cap calculation should be determined exclusively by the CPI.

I. The Department Should Immediately Commence Proceedings to Determine if Measures Have Been Taken to Mitigate the Proposed Fuel Adjustments.

A.I.M.'s Comments indicate that the Department should initiate proceedings to determine if companies have taken reasonable measures to mitigate the fuel adjustment impact in order to maintain the rate reduction, subject to inflation, as mandated by the Act. D.O.E.R., similarly to A.I.M., suggests that a mechanism to accomplish this goal could be the Company's Transition Cost Reconciliation proceedings (D.O.E.R. Comments, pg. 5). The Attorney General requests that the Department take immediate steps to mitigate the impact of the proposed proceedings (Attorney General's Comments D.T.E. 00-70, pg. 7). Moreover, the Attorney General states that there are proceedings pending before the D.T.E. which may provide mitigation of the impact on consumers of the proposed increases (Attorney General's Comments 00-70, pg. 7, and 00-66, pg. 6). The D.O.E.R. emphasizes the statutory mandate and the settlement agreements which require the mitigation of Above-Market Power Purchase Agreements (D.O.E.R. Comments, pg. 5).

A.I.M. believes that whether the mechanism is the Company's true-up proceedings or another process which the Department deems reasonable, A.I.M. strongly supports the consensus idea that the Department should give prompt attention to mitigation proceedings, including the proceedings already before the Department, regarding FG&E,

Boston Edison, Cambridge Electric, and Commonwealth Electric Companies. While the Department should explore all possible mechanisms by which the Companies could mitigate rates and determine offsets, these proceedings should not delay immediate implementation of fuel cost adjustments as doing so would create further deferrals.

II. The Department Should Reject the Companies Proposals to Include Extraordinary Increases in Fuel Costs in the Inflation Cap Calculations.

A.I.M. agrees and supports the D.O.E.R. and the Attorney General that the inflation cap calculation should not include fuel index adjustments. As D.O.E.R. correctly states, these costs should be excluded from the calculations so that the economic value of the 15% rate reduction is not compromised (D.O.E.R. Comments, pg.4). Moreover, the Attorney General correctly states that adopting the Companies' proposal would open the door to other upward adjustments. This would be difficult to administrate and to apply uniformly across companies (Attorney General's Comments D.T.E. 00-66, pg. 5). The calculation of the 15% rate reduction must be clear and not subject to recalculations throughout the term of the reduction. Both uniformity and societal expectations suggest using the CPI.

In conclusion, as stated in our Initial Comments, we believe that the fuel adjustments, once deemed true and verifiable, should be collected from customers immediately. However, as reemphasized in our Reply Comments, the Department must ensure that the Companies filing these proposals comply with the requirements of the Act, while not delaying recovery of these costs in standard offer service during the Department's review of mitigation efforts and potential offsets.

Respectfully Submitted by:

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JS/tj